



The Energy and Technology Committee

Public Hearing, March 5, 2019

Office of Consumer Counsel

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Testimony of Elin Swanson Katz

Raised Bill No. 7251

An Act Concerning Long-Term Contracts for Certain Class I Generation Projects and the Residential Solar Investment Program and Requiring a Study of the Value of Solar

The Office of Consumer Counsel (OCC) has reviewed this bill and understands the concerns that the bill is trying to address. OCC respectfully opposes the bill at this time because, in OCC's view, the bill might delay serious and necessary discussion among stakeholders about solving some existing solar issues. With regard to the "value of solar" study called for in Section 3, OCC is also respectfully opposed. Regardless of the *value of solar*, OCC would like to see continued progress toward creating competitive processes that will bring down the *price of solar* for both participants and non-participants, and also to encourage the best and most up-to-date technologies to be installed. Competition generally causes reduced prices such that the difference between *value* and *price* yields significant consumer surplus, while the absence of competition causes prices to remain high and creates elevated producer surplus, to the detriment of consumers. As the State's utility consumer advocate, I therefore view value of solar studies as potentially leading us away from a cost-reduction paradigm.

Section 1 of the Bill would extend the current low-emission renewable energy credit ("LREC") program and the zero-emission renewable energy credit ("ZREC") program for yet another year. Meanwhile, pursuant to Section 7 of Public Act 18-50, the Public Utilities Regulatory Authority ("PURA") is already actively working on a replacement to the LREC/ZREC program, including very necessary improvements. The

current LREC/ZREC programs have served a good purpose, but at this point is not necessarily driving down consumer prices as much as it should. For example, the new approach would wisely permit the bundling of the purchase of electric energy and ZRECs and LRECs. The existing program only provides for the purchase of ZRECs and LRECs. While this may facilitate financing, the overall payments to the facility (part of which represents a customer subsidy) may be rendered excessive by the failure to bundle energy with the RECs.

Section 7 (of Public Act 18-50) is an oft-discussed provision because numerous stakeholders have concerns about the potential impacts on residential solar and solar installers. There are some tight deadlines that Section 7 imposes as to residential solar, and OCC will address that below. However, LREC and ZREC are primarily *commercial programs*, and the deadline issues are not the same. OCC respectfully maintains that we should continue to work on a replacement to the LREC/ZREC program in the PURA docket and not have consumers pay for a ninth year of long-term contracts under the existing program.

Section 2 of the Bill would add one hundred megawatts (“MW”) to the current Residential Solar Investment Program (“RSIP”) run by the Connecticut Green Bank. The RSIP has been successfully leading to the installation of almost 300 MW of residential solar. The current maximum 300 MW level, in OCC’s understanding, is expected to be achieved roughly this October, just about seven months from now. At present, Section 7 of Public Act 18-50 would require that the new residential solar tariffs that are supposed to replace the RSIP program need to be in place when RSIP ends, so again, October 2019.

The replacement residential solar tariffs are part of what OCC views as a valuable and necessary effort and discussion to move away from full net metering under Conn. Gen. Stat. § 16-243h. A full discussion of why OCC views that full net metering has gotten excessively expensive and should be reformed would create perhaps overly lengthy testimony, but OCC would be glad to follow up on this issue. For now, OCC notes that there are and have been discussions in numerous states about net metering reform. That can mean (i) moving to pure tariff approaches (some of which are known

as buy-all/sell-all), or(ii) by reforming how net metering works, either by (a) shortening netting periods or by (b) limiting how much of items like the distribution and transmission costs in the electric bill are netted, or (c) through rate design reforms. Section 7 of Public Act 18-50 presently uses types (i) and (ii)(a).

The pending October 2019 completion of RSIP, coupled with the fact that under present law (Section 7 of P.A. 18-50), the new residential tariffs need to then be in place, is creating considerable concern on the part of the residential solar industry. OCC does not relish the prospect of delaying needed net metering reform, but is continuing to discuss the issue with stakeholders. As these discussions continue, OCC is hopeful that perhaps a new approach could be developed and agreed to by a majority of stakeholders. However, if Section 2 of this bill passes, the pressure will be off and the discussion and the ultimate resolution will presumably be delayed. OCC would respectfully recommend that the discussions continue now, during the long legislative session, rather than just moving the goalposts back for a year or two by expanding RSIP.

Section 3 of the Bill would authorize a value of solar study by the Connecticut Academy of Science and Engineering. In the regulated utility field, the “value of X” is often a misleading criterion. If any citizen were told that electricity to his or her home would now cost half of one’s gross salary, most people would nevertheless choose to pay that price, since living without electricity in today’s America is unthinkable. Thus the value of electricity is enormous. The cost of electricity, while often complained about, is a tiny fraction of the value. The same goes, with perhaps even greater force, for utility-provided running water. Again, OCC presumes that substantially all of us would pay half of our annual salary or more to keep running water.

Even in the context of purely competitive businesses, the “value of X” is not terribly relevant. Consider that most ubiquitous of Connecticut products: pizza. Let us say that a large pizza with one topping costs \$20. A given family might value that pizza at \$100, for the value of not having to cook it and buy the ingredients, plus most homes do not have the best kind of oven. Another family might value the pizza at \$30. Presumably, every pizza purchaser values the pizza at a level over \$20, else they would

not buy it. But, the value of the pizza is subjective. Fortunately, the value is pretty much irrelevant, since highly aggressive competition in the pizza business reduces the price as much as practicable.

OCC wants to see the same competitive price pressures applied in the solar installation business, in order to reduce prices for participants and non-participants alike. The current net metering approach in Conn. Gen. Stat. § 16-243h does not create such competitive pressures, but rather ensures a needlessly high and generally increasing subsidy from non-participants. Most solar installers would understandably like to maximize *producer surplus* by keeping net metering as is. OCC, on the other hand, would like to maximize *consumer surplus*, which means the market should determine the price of solar as we transition away from such a generous subsidy.